

PUBLIC PRIVATE PARTNERSHIPS

Description

A Public Private Partnership (PPP) is an agreement for a private company to fund and/or operate new and existing roadways over which a public agency normally has jurisdiction. PPPs allow a group of private companies to perform different combinations of design, finance, construction, maintenance, and operation. There are several different types of PPPs, including: Build-Transfer Operate, Build-Operate-Transfer, Build-Own-Operate, Buy-Build-Operate, Developer Finance, Lease-Develop-Operate, Sale-Leaseback, Turnkey, and Comprehensive Development Agreement.



How Will This Help?

- **Reduces cost to the public** – A PPP allows public agencies to share costs with the private sector. More projects can be completed with less public agency money.
- **Help funds keep pace with rising highway construction costs** – Since 1991, roadway construction costs have almost doubled. Engaging in PPP financing contracts would help Texas transportation revenues keep pace with rising construction costs.
- **Reduce need for borrowing** – Texas has increasingly turned to debt mechanisms such as bonds as a way to finance transportation improvements. Texas could help slow a growing trend of using the “credit card” to pay for roadway projects by allowing for the greater use of PPPs.

Around the Nation

Thirty-one states and Puerto Rico have authorized legislative framework for PPPs, and 18 states have broad legislative authority. More than \$46 billion has been invested in PPP projects in the last 20 years.

What's the Down-Side?

- **Some public agencies have limited power** – The Texas Transportation Code limits the regional tollway authorities' power to enter into agreements.
- **Loss of operating revenue** – Revenue generated from the operation of a privately maintained or operated facility would not solely benefit the public agency.
- **Public opposition to private “ownership”** – The public has been opposed to giving private companies ownership interest in state roadways.

Implementation Issues

- Low cost to implement.
- Legislative action is required to implement this funding change.
- Voters/users would need to be educated regarding the costs and benefits.

Solutions

NEXT EXIT

